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R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

FINANCIAL STATEMENT

DECEMBER 31, 1940.

MRB
CORP. FILE

Winston-Salem, N. C., January 15, 1941.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1940, is hereby submitted.

Net profit from operations for the year 1940 (in which net sales were $292,039,070.51), after deducting all charges and expenses of management, advertising, etc.	$37,648,906.86	
ADD		
Interest and Dividends on investments	116,251.38	
Miscellaneous income, net	80,545.12	$37,845,703.36
LESS		
Allowance for Depreciation, Obsolescence, etc.	1,029,104.62	
Interest paid	374,450.80	
Federal and State taxes on income	10,893,723.55	12,297,278.97
NET EARNINGS FOR YEAR		25,548,424.39
ADD		
Undivided Profits December 31, 1939		45,233,075.86
		70,781,500.25
DEDUCT		
Four quarterly interim dividends of fifty cents each and one year-end dividend of twenty-five cents per share		22,500,000.00
Total Undivided Profits December 31, 1940		$48,281,500.25

FINANCIAL STATEMENT
DECEMBER 31, 1940.

ASSETS

CURRENT			
Cash		$ 9,032,447.14	
Accounts Receivable (net) for merchandise sold		7,430,723.83	
Leaf Tobacco, Supplies, Manufactured Product	$142,740,227.76		
Less Reserve for contingent carrying charges	3,463,762.03	139,276,465.73	$155,739,636.70
OTHER ASSETS			
Real Estate, Buildings, Machinery, Fixtures		32,405,274.49	
Deduct Depreciation, Obsolescence, etc.	$14,812,730.29		
Less fully depreciated property written off during year, etc.	1,154,110.07	13,658,620.22	
		18,746,654.27	
Investments in Non-Competitive Companies, etc.		339,267.22	
Bills and Notes Receivable		1,182,868.98	
Other Accounts Receivable		616,688.07	
Brands, Trade-Marks, Good Will		1.00	
Prepaid Expenses		305,341.18	
Retirement & Insurance Investment Fund*	$ 10,120,000.00		
Less Reserve accrued to December 31, 1940	5,983,443.98	4,136,556.02	25,327,376.74
			$181,067,013.44

*Consisting of 200,000 shares of the Common Stock of the Company.

LIABILITIES

CURRENT		
Accounts Payable	$ 2,931,864.52	
Serial Notes Payable 1941	2,000,000.00	
Accrued Taxes and other Accrued Accounts	11,853,648.67	$ 16,785,513.19
DEFERRED		
Serial Notes (1¾%) Payable 1942-1949		16,000,000.00
CAPITAL ACCOUNT		
Common Stock—Par $10		
Authorized 1,000,000 shares		
Issued 1,000,000 shares	10,000,000.00	
New Class B Common Stock—Par $10		
Authorized 13,000,000 shares		
Issued 9,000,000 shares	90,000,000.00	
Undivided Profits	48,281,500.25	148,281,500.25
		$181,067,013.44

F. S. HILL, Treasurer.

R. J. REYNOLDS TOBACCO COMPANY:

We have examined the financial statement of R. J. REYNOLDS TOBACCO COMPANY as at December 31, 1940, and the income and undivided profits account for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods, at times and to the extent we deemed appropriate.

Inventories of Leaf Tobacco, Supplies and Manufactured Product are valued at cost as in former years. We were present when inventories were taken by the Company and checked procedures followed in determining quantities and valuation. The investments are carried at not above cost or market, whichever is lower.

In our opinion, the accompanying financial statement and related income and undivided profits account present fairly the position of the Company at December 31, 1940, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST.
Certified Public Accountants.

January 14, 1941.